

1 IN THE UNITED STATES BANKRUPTCY COURT
2 FOR THE EASTERN DISTRICT OF TEXAS
3 SHERMAN DIVISION

4 IN RE:) BK. NO: 24-60363-JPS
5)
6 EARTHSNAP, INC.)
7 D E B T O R.)

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10 TRANSCRIPT OF PROCEEDINGS
11 * * * * * * * * * * * *
12
13 (Testimony of Eric Ralls)
14
15 (Court's Ruling)

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17 BE IT REMEMBERED, that on the 19th day of December,
18 2024, before the HONORABLE JOSHUA P. SEARCY, United States
19 Bankruptcy Judge at Tyler, Texas, the above styled and
20 numbered cause came on for hearing, and the following
21 constitutes the transcript of such proceedings as hereinafter
22 set forth:
23

24
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links. They share content. They share riders and editors.

And that's the structure.

Q. So technically the income of EarthSnap, Inc., and the income of Digital Earth Media, if you will, and the income of EarthCom (sic), these are affiliates that essentially are plan supporters instead of direct debtors, correct?

A. Kevin, I'm sorry, I can't hear you. You need to turn that ringer off.

Q. I'm sorry. The entities that I mentioned, EarthCom and Digital Earth Media are basically plan supporters, they're not -- the income that they make is not the income of the debtor EarthSnap or for you, Eric Ralls, correct?

A. Well, I'm in bankruptcy.

Q. Yeah. I'm saying that the income is generated -- describe for the Court how the funds -- these companies make money, the (inaudible word due to attorney trailing off).

A. Yes. Earth.com earns revenue through advertising. It's shown on a website. Just like you would go to CNN.com to read foreign politics and see ads on CNN.com, you go to Earth.com to read about nature and the environment. And you see ads on there. And the more ads -- the more traffic we get, the more ads that we serve. The more ads that we serve, the more revenue is earned by Earth.com. EarthSnap is a mobile application. And its revenue is mostly derived from

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1 subscriptions, which is people pay a yearly or monthly fee to
2 use the application.

3 Q. And one of these entities is making money now and
4 one of them is not, correct? Can you identify for the Court
5 which one is making money?

6 A. Earth.com is earning significant revenue right now.
7 EarthSnap has entered into an agreement with a third party to
8 handle all marketing. And it is a revenue share agreement.
9 After you complete -- after you build an app, the cost of
10 building an app is the biggest cost to incur. Second to that
11 is marketing costs. Marketing the app, getting people to use
12 the app. There's a large upfront cash outlay. So finding a
13 partner who will come in and pay upfront for all of the
14 marketing costs and then split the revenue with you for all
15 of the revenue earned from their marketing efforts to me
16 sounds like a great deal. Where we are in that situation,
17 the first step was they came in and audited the app. Looked
18 for problems. Sent us a list of issues that needed to be
19 fixed. Sent us a list of software that needed to be
20 installed in the app. That's what we've done. And now we're
21 in the testing phase of this marketing relationship with a
22 company called Maddock.

23 Q. Would you consider the EarthSnap, its relationship
24 with the marketing company to be ordinary course of business
25 transaction where are you getting marketing services in

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1 A. That is correct.

2 Q. And part of that judgment was that PlantSnap would
3 be entitled to foreclose on 87 percent of the stock of
4 Digital Earth Media, thereby acquiring the funding sources
5 for the plan of reorganization of EarthSnap and you
6 individually; is that not correct?

7 A. That is correct.

8 Q. And the reason that you filed your Chapter 11
9 individually was that you could utilize the settlement
10 agreement as an executory contract to cure defaults
11 thereunder and be able to demonstrate to the Court the
12 ability to perform the rest of the settlement agreement,
13 thereby salvaging the 86 percent interest Digital Earth Media
14 owns in EarthCom, which is the only thing that's generating
15 money in this case, correct?

16 A. Yeah. The only way for me to pay my debts is to
17 generate revenue for the company that I own 86 percent of
18 because it's all -- it's the only thing that I own --

19 Q. If this case is dismissed --

20 A. -- on earth.

21 Q. Excuse me. Didn't mean to cut you off, but the
22 Court has little time.

23 If this case is dismissed or converted, EarthSnap will
24 lose the revenue source of a contributing affiliate EarthCom,
25 because that will be foreclosed upon by PlantSnap, yes or no?

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A. Yes. If my stock is taken away from me, then I'll no longer be involved with either company. And removing the person who's the founder and does everything for both companies is not a good idea if you're trying to pay debts with those companies and make them generate revenue.

Q. When these cases were filed, it was unclear whether or not there was going to be substantial revenue from EarthCom that could support the plan, even if EarthSnap mobile app did not take off; is that correct?

A. There's -- there was no guarantee. Revenue was low at the time, right.

Q. So now we have a track record -- now we have a track record of supporting earnings of EarthCom that could actually fund a plan for both the EarthSnap app -- EarthSnap, Inc., and Eric Ralls collectively?

A. That's correct. Our marketing partner was -- while we were fixing -- it cost money to fix the app. And while we fixed the app and our marketing partner started testing the app, I never stopped working on Earth.com. Starting in June from when we filed for bankruptcy through yesterday, revenue for Earth.com has exponentially -- grown exponentially. So in my opinion, this Chapter 11 filing has done exactly what the creators of Chapter 11 meant for these companies to do. It gave me breathing room and latitude to grow the business and grow the revenue to satisfy my debts.

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1 to do. But it's not difficult to verify that I do have
2 debtor-in-possession accounts at ANB Bank.

3 Q. But there's no revenues going in them, correct?

4 A. No. I don't even know how to access those
5 accounts.

6 Q. And the only revenues that have been generated have
7 not been generated by the debtor in the first place, correct?

8 A. Earth.com is not in bankruptcy.

9 Kevin, you've got to turn that ringer off.

10 Q. I've turned it off.

11 So there is no revenues for the monthly operating
12 reports of -- actually a report in the EarthSnap case, is
13 there?

14 A. No. All I've done as a month is send you -- I
15 mean, EarthSnap earns minimal revenue right now. And I've
16 sent you the bank statements every month. But there's no
17 significant --

18 Q. And with --

19 A. -- operating report. I hired -- excuse me for a
20 second.

21 I hired accounting firms last week for each of these
22 entities, Pilot Accounting.

23 Q. Well, we (inaudible word) we hired them, yet.

24 THE COURT: Mr. Wiley -- Mr. Wiley, can you
25 please let Mr. Ralls answer the question before you start

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1 MS. SAX-BOLDER: I have no further questions.

2 THE COURT: All right. Mr. Salitore, do you
3 have any questions for Mr. Ralls?

4 MR. SALITORE: No, Your Honor.

5 THE COURT: Okay. All right.

6 Any redirect, Mr. Wiley?

7 MR. THOMAS: I'm sorry, Your Honor, this is
8 Peter Thomas on behalf of DEJ Partners, one of the creditors.
9 I do have just a very quick follow-up question for Mr. Ralls.

10 THE COURT: All right. I'm sorry, Mr. Thomas,
11 go ahead.

12 MR. THOMAS: Thank you very much.

13 CROSS-EXAMINATION

14 BY MR. THOMAS:

15 Q. Mr. Ralls, I heard you mention that you were on
16 track, or Earth.com is on track to generate, I believe you
17 said \$550,000 this month; is that correct?

18 A. That is correct.

19 Q. And when I look at the screen shots that Claudia
20 from Mr. Wiley's office circulated to all of the creditor
21 counsel yesterday and this morning, it looks as though
22 Earth.com has been earning over the past six months roughly,
23 you know, in the neighborhood of 200, \$250,000 over the past
24 few months every month, correct?

25 A. That's correct. So far this month we've done

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1 Q. So essentially Earth.com is funneling all of its
2 revenues to another non-debtor entity that is solely 100
3 percent owned and controlled by you, correct?
4

A. That is correct. The management company of
Earth.com is 100 percent owned by me. And I'm the --
5

6 MR. THOMAS: No more questions, Your Honor.
7

A. -- only person who manages and works on Earth.com.
8

9 MR. THOMAS: No further questions, Your Honor.
10

11 THE COURT: All right. Redirect, Mr. Wiley?
12

13 MR. WILEY: None, Your Honor.
14

15 THE COURT: Okay.
16

17 * * * * *

18 THE COURT: Give me one second.
19

20 All right. Here's what we're going to do. So first
off, let me set all the (inaudible few words), I think, at
21 least some of the things you mentioned, Ms. Sax-Bolder, I'm
not today prepared to prejudice anyone's rights with respect
22 to what any plan may say. In other words, nothing we do
today will affect you all's ability to object to confirmation
23 if a plan is filed (inaudible word) the issue, okay. I'm
not -- that's not what we're here about today.
24

25 Secondarily, you know, we're not here about conversion
or dismissal. That being said, Mr. Wiley, I've heard a lot
26 of things today and, Mr. Ralls, I've heard a lot of things
today that give me great concern.
27

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